

**CHARTER REVIEW COMMISSION  
MEETING  
Thursday, July 28, 2005  
8:00 a.m.  
6<sup>th</sup> Floor Front Conference Room  
Council Office Building**

**Minutes**

**Commission Members Present:**

Kenneth Muir, Chair  
Julie Davis  
Mollie Habermeier  
Cheryl Kagan  
Randy Scritchfield  
Shelton Skolnick  
Robert Skelton (via telephone)  
Sally Sternbach

**Commission Members Absent:**

Michael McKeehan  
Barbara Smith Hawk, Vice Chair

**Staff:**

Joe Beach, Assistant Chief Administrative  
Officer  
Carol Edwards, Legislative Services  
Coordinator  
Justina Ferber, Legislative Analyst  
Marc Hansen, Chief, Division of General  
Counsel, Office of the County Attorney  
Sonya Healy, Legislative Analyst

**Guests:**

Tim Firestine, Director, Department of  
Finance  
Robert Hagedoorn, Chief, Treasury Division,  
Department of Finance  
David Platt, Chief Economist,  
Treasury Division, Department of Finance  
Dale Tibbitts, Montgomery County Civic  
Federation

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Chairman Muir opened the meeting at 8:08 a.m.

**I. Discussion of Potential Issues to Study and Select Subcommittee Assignments**

**Action:** The Commission decided not to conduct any further study of the Charter Section 208 Veto – Deadlines to Exercise an Executive Veto. The Committee agreed to recommend the proposal and will resubmit the proposal as drafted in the 2004 Charter Review Commission Report.

**Action:** The Commission decided to keep the issue of full-time versus part-time compensation for Councilmember positions on the list for further study.

The Commission will discuss Item A on the agenda, Structure of the Council, at the September meeting.

The Commission Chair distributed a chart generated by the League of Women Voters that identifies 85 counties/cities nationwide that are generally comparable to Montgomery County.

**Action:** The Commission requested the following additional information from the League as it pertains to the Chart: (1) Councilmember salaries; (2) what constitutes full-time versus part-time employment; (3) an explanation of the types of responsibilities Councilmembers have related to governance (i.e. budget, planning and zoning, or other types of responsibilities); and (4) if prohibitions on outside employment are specifically referenced in any other charters.

#### ***Number of Signatures Required to Petition a Charter Amendment***

The Commission Chair stated that he had spoken with Delegate Charles Barkley, Montgomery County Delegation, and discussed what had happened to the State bill concerning the number of signatures required to petition a Charter amendment. The Chairman reported that Delegate Barkley believes that a bill addressing this issue should be put forward as a local bill instead of a state-wide bill. Delegate Barkley plans to introduce another bill on this issue during the Maryland General Assembly's 2006 Legislative Session.

The Commission Chair asked the Commissioners if they were interested in testifying on the signature issue at the State level. The Commission Chair also requested that Council staff get a sense of the Council's position on the issue.

Marc Hansen, Chief, Division of General Counsel, County Attorney's Office, informed the Commissioners that if they wished to testify as a body, the Commission must consult the County's Office of Intergovernmental Relations. Mr. Hansen reminded the Commission that the Commission's main function is to advise the Executive and Council.

The Commission Chair asked Commissioners to form subcommittees and indicate which issues they would like to study for the report. Proposals to change the structure of the Council will be studied by the entire Commission.

Preliminary subcommittee assignments are as follows:

- Full-time versus part-time compensation for Councilmembers – Mr. Skolnick, Ms. Sternbach, and Mr. Skelton
- Congruency of petition/ballot language – Mr. McKeehan, Ms. Davis and Mr. Scritchfield
- Number of Signatures Required to Petition a Charter Amendment – Ms. Kagan, Ms. Habermeier and Ms. Smith Hawk

**Action:** Subcommittees will write position papers to recommend changes or no changes to the assigned issue and should have their preliminary drafts submitted by the November 17 meeting.

## **II. Public Forum**

**Action:** The Commission decided to hold a fall public forum on October 27 in the Council Office Building in the 7<sup>th</sup> floor conference room. An alternate date for the forum is October 17. The Commission also requested that cable coverage for the forum be provided, if possible.

**Action:** The Commission agreed that the Chairman should prepare two separate press releases for the Gazette newspaper. One would be an informative piece about what the Commission does and the other would state the pros and cons of the issues the Commission intends to study. The Commission believed that including the issues surrounding the number of signatures required to petition a Charter amendment and the structure of the Council would help to engage community responses.

**Action:** It was suggested that the press releases also be provided to the various minority newspapers in the County. Ms. Sternbach will provide the Chairman with names and addresses of her contacts at these newspapers.

## **III. Timothy Firestine, Director, Department of Finance**

The Commission Chair stated that at the previous meeting, Councilmember Knapp questioned whether or not the budget process and tax cap provided in Charter Section 305, Approval of the Budget; Tax Levies, is still appropriate and asked the Commission to consider if there are ways to improve it. Councilmember Knapp asked the Commission to consider if the calculation for the Charter limit is the correct calculation and if different factors, such as inflation and population growth should be part of this calculation.

Timothy Firestine, Director, Department of Finance, Robert Hagedoorn, Chief, Treasury Division, and David Platt, Chief Economist, Treasury Division, gave a presentation on Charter Section 305, real property reassessments, property tax revenues, and non-property tax revenues, (see attachments). Mr. Firestine gave a brief history of Section 305 and noted that former County Executive and Councilmember Neal Potter and Robert Denney from the County Taxpayers League were involved in crafting the amendment to this Section and it was enacted in 1990. In his response to Councilmember Knapp's concern about the budget process and tax cap, Mr. Firestine stated that the amendment accounts for population growth, and his personal opinion is that the system works and sees no reason to change it.

### ***Other information:***

- Excess revenue goes into a revenue stabilization fund.
- The County has a 6% reserve in the budget (rainy-day fund of \$101 million). The fund is only used in a true emergency and has never been tapped.
- The County has maintained a AAA bond rating over 30 years (\$10 million dollars is saved by having a AAA rating versus a AA rating).

**Action:** The Commission Chair asked Mr. Firestine if he could provide the chart that the Department of Finance uses that compares other counties to Montgomery County. (Subsequent to the meeting the attached chart was received.)

**Action:** After a question and answer period with Mr. Firestine, a motion was made and approved to strike agenda item D, Charter Limit, from the list of issues to study.

#### **IV. Administrative Items**

Ms. Kagan submitted revisions to the June 23 minutes. A motion was made and seconded to approve the June 23 minutes with Ms. Kagan's revisions.

Council staff will send a reminder to the Council to submit recommendations on issues for the Commission to study.

Meeting adjourned at 9:55 a.m. The next meeting is scheduled for September 15 at 8:00 a.m.

# CHARTER REVIEW COMMISSION

July 28, 2005  
Council Office Building  
6<sup>th</sup> Floor Conference Room

- Montgomery County Charter, Section 305. Approval of the Budget; Tax Levies:

*By June 30 each year, the Council shall make tax levies deemed necessary to finance the budgets. Unless approved by an affirmative vote of seven Councilmembers, the Council shall not levy an ad valorem tax on real property to finance the budgets that will produce total revenue that exceeds the total revenue produced by the tax on real property in the preceding fiscal year plus a percentage of the previous year's real property tax revenues that equals any increase in the Consumer Price Index as computed under this section. This limit does not apply to revenue from: (1) newly constructed property, (2) newly rezoned property, (3) property that, because of a change in state law, is assessed differently than it was assessed in the previous tax year, (4) property that has undergone a change in use, and (5) any development district tax used to fund capital improvement projects. (Election of 11-7-78; election of 11-6-84; election of 11-6-90; election of 11-3-92; election of 11-8-94; election of 11-3-98.)*

- What does this mean?
  - Tax revenues from real property may not increase more than the rate of inflation, excluding tax revenues from new construction, property that increases in value for various reasons other than inflation, and property taxes related to development districts.
- What if growth exceeds the rate of inflation?
  - Then Council must reduce the real property tax to bring the overall revenue growth in line with inflation.
  - Else, a supermajority of the Council may override the Charter.
- When was this Charter Amendment enacted?
  - 1990
- How does Charter Limit work?
  - Take last year's real property tax revenues
  - Increase amount with the Consumer Price Index
  - Compare to this year's real property tax revenues projected at last year's rates (excluding new construction, etc.)
  - If variance amount is greater than zero → Charter Limit is exceeded
  - Solution: lower tax rate or increase credit to reduce this year's revenues and eliminate variance
  - Example:
    - 2004 revenues = \$1.00 billion
    - 2005 revenues = \$1.12 billion (using 2004 tax rates)
    - 2005 revenues from new construction, rezoning, etc. = \$0.02 billion
    - Inflation = 2.5%
    - 2005 Charter Limit = \$1.025 billion (\$1.00 + 2.5%)
    - 2005 revenues (excl. new construction, etc.) = \$1.10 billion (\$1.12 - \$0.02)
    - Variance = \$75 million (\$1.10 - \$1.025 = \$0.075 billion)
- What does Charter Limit do for **average** homeowner?
  - It limits the annual tax increase to the rate of inflation. With inflation expected between 2.5% and 3.0%, annual tax increases remain low.
  - Without Charter Limit, annual increases for most homeowners almost four times higher (limited by the 10% Homestead Tax Credit and assuming strong housing market)

# **Charter Review Commission Meeting**

**July 28, 2005**

# Comparison of annual percentage changes in source of property tax revenues and the rate of inflation

PROPERTY TAX REVENUES						
Fiscal Year	Inflation*	Total Tax Supported	Pct. Chg.	Total Real Estate	Pct. Chg.	Owner-Occupied Pct. Chg.
FY00	1.3%	\$822,575,575		\$721,022,149		\$499,075,816
FY01	2.1%	\$839,663,367	2.1%	\$745,996,958	3.5%	\$517,608,701
FY02	3.3%	\$873,198,839	4.0%	\$780,201,603	4.6%	\$537,069,183
FY03	2.6%	\$926,913,934	6.2%	\$828,079,851	6.1%	\$573,597,914
FY04	2.4%	\$983,681,016	6.1%	\$897,203,825	8.3%	\$628,998,996
FY05 Est.	2.8%	\$1,067,903,000	8.6%	\$979,817,059	9.2%	\$691,694,767
FY06 Est.**	2.8%	\$1,105,217,000	3.5%	\$1,007,323,110	2.8%	\$706,599,028

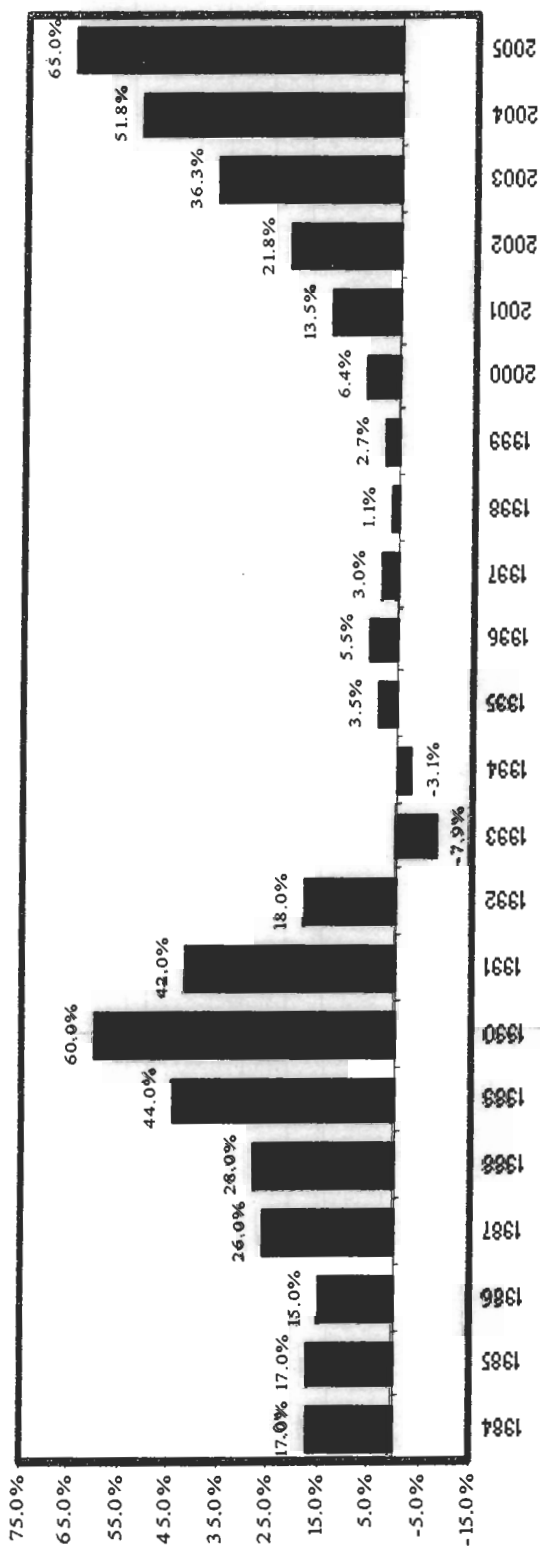
SOURCE: Department of Finance

NOTES:

- \* Inflation rate is for the calendar year that starts eighteen months prior to the start of the fiscal year.
- \*\* Estimated property tax for total real estate and owner-occupied includes \$116 one-time credit in FY06.

Because of rising real estate prices, reassessments have exceeded the 10% Homestead Tax Credit limit the past three years. The last reassessment was largest increase on record.

Real Property Reassessments by Levy Year  
(Three-Year Phase-In)  
Montgomery County



Source: State Department of Assessments and Taxation  
Hatched columns represent Dept. of Finance forecast



*Average Household and Per Capita Personal Income*

The County's estimated per capita income ranks seventh nationwide, and second in the Washington metropolitan area, among counties with total population of at least 175,000. The County's estimated average household income ranks seventh nationwide but first in the region.

**Table 31**  
**Estimated Per Capita and Average Household Income, 2004**

<u>County</u>	<u>Per</u> <u>Capita Income</u>	<u>County</u>	<u>Average</u> <u>Household Income</u>
Marin, CA	\$67,267	Marin, CA	\$166,253
Arlington, VA	57,882	Fairfield, CT	155,343
Fairfield, CT	57,017	Morris, NJ	155,014
Morris, NJ	56,176	Westchester, NY	148,958
Westchester, NY	54,442	Nassau, NY	148,521
Somerset, NJ	54,208	Somerset, NJ	147,483
<b>MONTGOMERY, MD</b>	<b>53,992</b>	<b>MONTGOMERY, MD</b>	<b>145,352</b>
Fairfax, VA	53,703	Fairfax, VA	142,887
Bergen, NJ	53,391	Bergen, NJ	142,735
Nassau, NY	49,786	Lake, IL	138,172
Montgomery, PA	49,138	San Mateo, CA	135,195
Oakland, MI	48,323	Howard, MD	131,140
San Mateo, CA	48,239	Chester, PA	129,826
Norfolk, MA	47,818	Montgomery, PA	128,503
Howard, MD	47,607	Arlington, VA	127,156
Chester, PA	47,593	DuPage, IL	124,935
Lake, IL	46,389	Norfolk, MA	124,115
Middlesex, MA	45,756	Santa Clara, CA	122,129
DuPage, IL	45,025	Oakland, MI	121,535
Palm Beach, FL	44,430	Contra Costa, CA	120,343

Notes: A major affluent suburban county is defined as a county in either a Metropolitan Statistical Area (MSA) or a Primary Metropolitan Statistical Area (PMSA) with a population of at least 175,000 where income levels are considerably higher than in the central city and other jurisdictions in the area. These counties are primarily suburban in nature; no city or town accounts for 40 percent or more of the total population.

Estimates of 2004 per capita income were based on trending forwarding experience during 2001-2002.

Estimated average 2004 household income was derived by multiplying the estimated 2004 per capita income by the average number of persons per household in 2004.

Source: U.S. Department of Commerce, Bureau of Economic Analysis, "Survey of Current Business", May 2004, for personal income data; Sales and Marketing Management, "2004 Survey of Buying Power" for household data.